

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 557 CS

Uses of the District School Tax

**SPONSOR(S):** Kendrick

**TIED BILLS:**

**IDEN./SIM. BILLS:**

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Education Appropriations Committee	13 Y, 0 N, w/CS	Eggers	Hamon
2) Finance & Tax Committee			
3) Fiscal Council			
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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**SUMMARY ANALYSIS**

District school boards are permitted to levy a property tax of not more than two mills against the taxable value of property in the county for non-operating purposes. The two mill levy is in addition to the required local effort millage and non-voted discretionary millages school boards are allowed to levy each year for current operating purposes. For a district that is in compliance with class size requirements pursuant to Section 1003.03, F.S., and certifies that the district's instructional space needs for the next five years can be met, the bill expands the approved expenditures of the two mill revenue to allow for the payment of health, property, and casualty insurance costs, and the purchase, lease, or lease-purchase of certain motor vehicles.

This bill has an effective date of July 1, 2006.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

This bill does not appear to implicate any of the House Principles.

#### B. EFFECT OF PROPOSED CHANGES:

##### Present Situation

District school boards are authorized to levy not more than 2 mills for capital outlay projects.<sup>1</sup> Authorized expenditures are costs of construction, remodeling, renovation, maintenance, and repair of the educational plant; the purchase, lease, or lease-purchase of equipment, educational plants, and construction materials directly related to the delivery of student instruction; the purchase, lease, or lease-purchase of school buses or the payment of the cost of school buses when a school district contracts with a private entity to provide transportation services; and the costs of payments related to certain issues of certificates of participation.<sup>2</sup> Not included in this list are health, property, and casualty insurance costs of the school district, which are funded from operating budget revenues.

An expanded list of expenditures are authorized if the district certifies to the Commissioner of Education that all of the district's space needs for the next 5 years can be met from capital outlay sources that the district reasonably expects to receive or from alternative scheduling or construction, leasing, rezoning, or technological methodologies that exhibit sound management. The expanded list of expenditures are the purchase, lease-purchase, or lease of driver's education vehicles, motor vehicles used for the maintenance or operation of plants and equipment, security vehicles, or vehicles used in storing or distributing materials and equipment.<sup>3</sup>

##### Proposed Changes

The payment of health, property, and casualty insurance costs are added to the expanded list of authorized expenditures. For a district to qualify for the expanded list of authorized expenditures, and in addition to the current requirement that the district certify to the Commissioner that instructional space needs for the next 5 years will be met, the bill adds the requirement that the district must have met current year class size reduction requirements pursuant to Section 1003.03, F.S. It is probable that only districts with high property values and low capital outlay needs would have sufficient two mill revenue available for these additional purposes.

In the 2004-05 fiscal year, Flagler, Gadsden, Hernando, Putnam, Santa Rosa, Suwannee, Union, Walton, and Washington were not in compliance with class size reduction requirements. In the 2005-06 fiscal year, only St. Lucie was not in compliance with class size reduction requirements.

#### C. SECTION DIRECTORY:

**Section 1** amends s. 1011.71, F.S.

**Section 2** provides that this bill shall take effect July 1, 2006.

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<sup>1</sup> Section 1011.71(2), F.S.

<sup>2</sup> Section 1011.71(5), F.S.

<sup>3</sup> Section 1011.71(2), F.S..

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

The bill allows school districts to use revenue from the two mill capital outlay tax for health, property, and casualty insurance costs.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

### D. FISCAL COMMENTS:

A district in compliance with class size reduction requirements and that certifies to the Commissioner of Education that the instructional space needs for the next 5 years will be met is authorized to use capital outlay funds generated from the two mill levy authorized by Section 1011.71, F.S., for health, property, and casualty insurance costs; and the purchase, lease-purchase, or lease of driver's education vehicles, motor vehicles used for the maintenance or operation of plants and equipment, security vehicles, or vehicles used in storing or distributing materials and equipment. The two mill levy will generate \$2.5 billion in the 2005-06 fiscal year. There are 55 districts that levy the full two mills, 9 districts that levy between .5 and 1.5 mills, and 3 districts did not levy the two mill levy. Of the districts that levy the two mill levy, Franklin county generates the most revenue per FTE at \$5,136 per FTE and Madison county the least at \$85 per FTE. It is probable that only districts with relatively high property values per FTE coupled with low capital outlay needs would have sufficient two mill revenue available for these additional purposes.

The authorization of additional expenditure purposes may decrease the amount of revenue available for school construction. Certain school districts may currently be in compliance at the district level of calculating class sizes, but in future years may not be in compliance at the school and classroom levels. The Department of Education's (DOE) legislative budget request projected a \$4.2 billion class size reduction school construction need spread over five years (2006-07 through 2010-11), with \$2.0 billion requested for the 2006-07 fiscal year. However, it is important to note the following:

- Statewide FTE projections have declined significantly since the DOE's legislative budget request,
- The DOE has received the districts' five-year capital outlay plans since the DOE's legislative budget request, and
- The DOE's legislative budget request included the cost for student growth, which historically has been locally funded.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable.

2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

None.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On February 23, 2006, the Education Appropriations Committee adopted two amendments and reported the bill favorably. Amendment Number 1 amended s. 200.065, F.S., adding health, property, and casualty insurance costs to the list of authorized projects for the purpose of advertising the school board's budget. Amendment Number 2 added the requirement that districts must be in compliance with class size reduction requirements pursuant to s. 1003.03, F.S., in order to be authorized to use the revenue generated by the two mill levy for health, property, and casualty insurance costs, and the purchase or lease purchase of certain motor vehicles. This bill analysis reflects the bill as amended.